

107TH CONGRESS  
1ST SESSION

# H. R. 84

To amend the Internal Revenue Code of 1986 to provide tax incentives  
for education.

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IN THE HOUSE OF REPRESENTATIVES

JANUARY 3, 2001

Mr. ENGLISH (for himself and Mr. PAUL) introduced the following bill; which  
was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide  
tax incentives for education.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Higher Education  
5       Affordability and Availability Act”.

6       **SEC. 2. EXCLUSION FROM GROSS INCOME OF EDUCATION**

7                       **DISTRIBUTIONS FROM QUALIFIED TUITION**

8                       **PROGRAMS; COVERAGE OF PRIVATE PRO-**

9                       **GRAMS.**

10       (a) EXCLUSION.—

(1) IN GENERAL.—Subparagraph (B) of section 529(c)(3) of the Internal Revenue Code of 1986 (relating to distributions) is amended to read as follows:

“(B) DISTRIBUTIONS FOR QUALIFIED HIGHER EDUCATION EXPENSES.—If a distributee elects the application of this subparagraph for any taxable year—

“(i) no amount shall be includible in gross income by reason of a distribution which consists of providing a benefit to the distributee which, if paid for by the distributee, would constitute payment of a qualified higher education expense, and

“(ii) the amount which (but for the election) would be includible in gross income by reason of any other distribution shall not be so includible in an amount which bears the same ratio to the amount which would be so includible as the amount of the qualified higher education expenses of the distributee bears to the amount of the distribution.”

(2) ADDITIONAL TAX ON AMOUNTS NOT USED FOR HIGHER EDUCATION EXPENSES.—Section 529

1 of such Code is amended by adding at the end the  
2 following new subsection:

3 “(f) ADDITIONAL TAX FOR DISTRIBUTIONS NOT  
4 USED FOR EDUCATIONAL EXPENSES.—

5 “(1) IN GENERAL.—The tax imposed by section  
6 530(d)(4) shall apply to payments and distributions  
7 from qualified tuition programs in the same manner  
8 as such tax applies to education individual retire-  
9 ment accounts.

10 “(2) EXCESS CONTRIBUTIONS RETURNED BE-  
11 FORE DUE DATE OF RETURN.—Paragraph (1) shall  
12 not apply to the distribution to a contributor of any  
13 contribution paid during a taxable year to a quali-  
14 fied tuition program to the extent that such con-  
15 tribution exceeds the limitation in section 4973(e) if  
16 such distribution (and the net income with respect  
17 to such excess contribution) meets requirements  
18 comparable to the requirements of clauses (i) and  
19 (ii) of section 530(d)(4)(C).”

20 (3) COORDINATION WITH EDUCATION CRED-  
21 ITS.—Section 25A(e)(2) of such Code is amended by  
22 inserting “529(c)(3)(B) or” before “530(d)(2)”.

23 (4) CONFORMING AMENDMENT.—Paragraph (2)  
24 of section 26(b) of such Code is amended by redesign-  
25 ating subparagraphs (E) through (Q) as subpara-

graphs (F) through (R), respectively, and by inserting after subparagraph (D) the following new subparagraph:

“(E) section 529(f) (relating to additional tax on certain distributions from qualified tuition programs),”.

(5) EFFECTIVE DATE.—The amendments made by this subsection shall apply to distributions after December 31, 2000, for education furnished in academic periods beginning after such date.

(b) ELIGIBLE EDUCATIONAL INSTITUTIONS PERMITTED TO MAINTAIN QUALIFIED TUITION PROGRAMS.—

(1) IN GENERAL.—Paragraph (1) of section 529(b) of such Code (defining qualified State tuition program) is amended by inserting “or by one or more eligible educational institutions” after “maintained by a State or agency or instrumentality thereof”.

(2) CONFORMING AMENDMENTS.—

(A) The text and headings of sections 529 and 530 of such Code are amended by striking “qualified State tuition program” each place it appears and inserting “qualified tuition program”.

1 (B)(i) The section heading of section 529  
 2 of such Code is amended to read as follows:

3 **“SEC. 529. QUALIFIED TUITION PROGRAMS.”**

4 (ii) The item relating to section 529 of  
 5 such Code in the table of sections for part VIII  
 6 of subchapter F of chapter 1 is amended by  
 7 striking “State”.

8 (3) EFFECTIVE DATE.—The amendments made  
 9 by this subsection shall apply to taxable years begin-  
 10 ning after December 31, 2000.

11 (c) CHANGE OF QUALIFIED TUITION PROGRAM OR  
 12 OF DESIGNATED BENEFICIARY.—

13 (1) IN GENERAL.—Clause (i) of section  
 14 529(c)(3)(C) of such Code is amended by inserting  
 15 “to another qualified tuition program for the benefit  
 16 of the designated beneficiary or” after “trans-  
 17 ferred”.

18 (2) INCLUSION OF SIBLINGS AS MEMBER OF  
 19 FAMILY.—Paragraph (2) of section 529(e) of such  
 20 Code is amended by striking “subparagraph (B).”  
 21 and inserting “subparagraph (B),  
 22 except that such term shall include any sibling  
 23 (whether by the whole or half blood) of the des-  
 24 ignated beneficiary.”.

1           (3) EFFECTIVE DATE.—The amendments made  
2       by this subsection shall apply to taxable years begin-  
3       ning after December 31, 2000.

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